

**COMMITTEE ON ACCOUNTS, ENROLLMENT  
AND REVENUE ADMINISTRATION**

**September 17, 2002**

**4:30 PM**

Chairman Shea called the meeting to order.

The Clerk called the roll.

Present: Aldermen Shea, Guinta (arrived late), Smith, Thibault, Lopez

Messrs.: Kevin Buckley, Kevin Clougherty, Chris Doyle, Kevin Dillon,  
Chief Driscoll, Randy Sherman, Sharon Wickens

Chairman Shea addressed item 3 of the agenda:

3. Reserve Account Ordinances referred at the request of Mayor Baines:
  - a) Tax Rate Stabilization Reserve Account
  - b) Special Revenue Reserve Account
  - c) Risk Retention Reserve Account

Alderman Lopez asked can we have some review from the Finance people.

Mr. Clougherty stated as you know as part of the financial difficulty that the City is experiencing we thought it might be a good time to take a look at putting into place some policies that would help to avert a situation like we're facing now in the future and to try and build a good foundation for the management of the City in the future and we did an analysis of what other people are doing around the country and tried to take a look at what the credit agencies/investors look at to see if there is some way we could strengthen our already strong position and maybe position ourselves to move up even more. In looking at that we thought there were three areas that we could do something about and we've given three separate resolutions here, they're not a package, they're presented as three individual items and we can walk you through them if you would like and explain how they might work, if that would be helpful. The first one we have is a Tax Rate Stabilization Reserve Account...the intention here is to set up a mechanism in ordinance that would provide for the putting away of a portion of the fund balance each year (in good years) so that when you encounter a situation such as we're in now you have some money to devote towards reducing the tax rate. Randy I think has handed out some things and I'm going to let him walk you through those handouts.

Alderman Thibault stated I don't know where this money is coming from or where we're getting it but let me just ask a question here. I had already heard that it was against the law for us to hold money from one year to the next, am I mistaken with that?

Mr. Clougherty replied no what we're talking about here is fund balance and allocations of your fund balance. You're not doing anything that we haven't been allowed by statute to proceed with. We've had the Solicitor make sure that this language is allowable.

Mr. Sherman stated what we're doing on the Tax Rate Stabilization Reserve Account is I've handed out two pages out of last year's financial statements and on page 1 there are two numbers that are highlighted there. The first number (\$3,777,077) is the City's General Fund undesignated fund balance. The second number over to the right is the School District's undesignated fund deficit (in this case), but hopefully going forward it becomes a fund balance. What we're seeing in the Tax Rate Stabilization is we would take those two numbers and add them together, so we come up with a total there. Now, in this case, that is just over \$800,000 if you add those two together. Then what we would do is you go to the second page where it show what our property taxes are and that's the number highlighted on the left (\$85.596 million) and we compare that number to one percent (1%) of the \$85 million, so in this case it's \$855,968. Anything from the first two numbers in excess of that one percent (1%) of the second number would be moved into this Tax Rate Stabilization Account. What we're trying to do is set up an account that can be used...when you run into problems like we have this year where the valuation was off or...

Alderman Guinta arrived at the meeting.

Chairman Shea interjected, Randy, could you just review that for Frank because Frank just came in a little bit late.

Mr. Sherman stated again we're talking about the Tax Rate Stabilization Reserve Account...what we do is take the undesignated fund balance of the City side, the \$3.7 million and we add it to the undesignated fund balance of the School District which in this case was a deficit of \$2.9 million; that gives us \$817,000...we would then go to the tax that's raised on the second page of \$85.596 million and we come up with one percent (1%) of that. Anything in excess of the one percent (1%) would be put into this Tax Rate Stabilization Account.

Mr. Clougherty interjected think about it...in your own home finances you at least want to have something as undesignated set aside in case of an emergency or for other purposes. So, that's why we're doing that and that seems to be an industry standard.

Mr. Sherman stated what's happened in the past is you have your Revenue Stabilization Account that can only be used when we have a shortfall in the revenues. So what this account we be therefore, is to allow you to have a fund that you could tap or again like this year we have a shortfall in our assessed valuations from what you use to tax rate setting or if the revenue that we're sending up to the State at tax rate setting time are less than you had anticipated. Now, the Revenue Stabilization fund can't be tapped when you're revenue estimates are short because at that point you technically don't have a shortfall in revenues because you can raise it in property taxes. So, that one can really only kick in at the end of the year, but what this would do is allow us to set up this reserve fund in advance to be able to be used for these other issues. Now, the reason we're taking only the excess over one percent (1%) is that leaves us that one percent (1%) cushion in the undesignated fund balance. You never want to dry your undesignated fund balance down to zero. So, we set that at the one percent (1%). Then what we will do is anything that's in the Tax Rate Stabilization fund can be used during the budget process to be applied against your projected budgets or again can be used when you go to set the tax rate to say well, some of our numbers have changed we can go in and tap that. Now, the way that we have this set up is when you put money into this fund in any one year we're asking that you only use 50% of what's in the fund because what that will do is allow you or lead you to know that at least coming the following year you've got at least the same amount. So, you don't see this whip saw effect in your budgets. Now, what's happened in the past is we do the budgets and aldermen say okay well we can put \$1.6 million in this year's fund balance and reduce the tax rate. Next year comes along and we don't have \$1.6 million, you only have \$200,000 and what that means is you have a \$1.4 million shortfall and now you're tax rate starts to jump up and down or now you have to go in and drastically start cutting your expenses. So, what this will do hopefully is keep an even keel there...now, obviously, if you use half of it this year and you don't put anything in the next year you can now that that entire amount and use it, but at least it gives you a warning that (keep in mind) next year you don't have anything to use. So, you can use it all, but obviously you don't have to use it all and what we're planning on doing again like the Revenue Stabilization fund we've got a cap on it of five percent (5%) so it can't get up to a certain point. We also put a cap on it that you can use anymore than 110% of the prior year, so say I put \$2 million in there...the budget comes along, I take a million dollars out, so I now know I have a million dollars for next year. But, what if I put another \$2 million in this year. Rather than allow you to use \$1.5

million only allow you to go up to the \$1.1 million, that way it can keep growing the account so when these years like this year we needed \$2.1 million you could have gone in and tapped it and it wouldn't be right down to zero. That is what the intent of this ordinance is for.

Mr. Clougherty stated put aside money in the good years so you'll have them in later years. And, there's no appropriation here, I want to make that clear. This is a fund balance calculation at the end of the year, it's not where you're going to have to raise the taxes. It's after everything is done and you add up your pluses and minuses for the year if there's something left over that's what we're talking about, how that gets allocated to be used in the future.

Alderman Lopez stated we're just using a sample here. How do we take money out of the fund balance for 2001 for the tax rate, we took money out of there before right, Kevin?

Mr. Clougherty replied you've allocated as part of your budget process.

Alderman Lopez stated that is still in play, is that correct?

Mr. Clougherty replied yes. Let me just clarify that because I don't want anyone misunderstanding what we're doing here. When you set your tax rate, as you know there's the revenues, the expenses and there's fund balance and there's the valuation. The revenues are attested to by the Finance Officer, the expenditures are what you people adopt as resolutions and then there's the valuations which are put in by the Assessors and then this fund balance which the Board sets. Now, in the past in the good years...this is Chris Doyle...you may remember from the other night who is with our financial advisory services who helped to draft some of this stuff...but, the point I was trying to make is that in previous good years you might draw down a whole bunch of your fund balance and use that to reduce the tax rate from 3% to 2% or 4% to 3% or 4% to 2%. What this says is the amount that you're going to be able to apply in those good years is going to be reduced because you're going to have to put something away for when the tax rate is going from 4% to 8%. So, it does put a discipline on the Board and it does that for a reason, but depending on where you're coming from that is one of the strengths or weaknesses of this. It does take away some of your flexibility to use all of your fund balance in a particular year to reduce the tax rate and our feeling is that in good years the rate isn't that high and it shouldn't have that much of an affect anyway, you should be putting aside.

Alderman Lopez stated I guess maybe the question should be is the fund balance and doing something like this which is new...what in the financial world is the most prudent thing to do...is it something like this or something like the fund balance.

Mr. Clougherty replied something like this. Chris is looking at places all around the country and she is our Financial Advisor from Boston and they advise the City of Boston and any number of New England cities and they're one of the largest financial advisors in the country.

Alderman Lopez asked is she recommending this, is that what I'm hearing.

Mr. Clougherty replied she helped in reviewing these and making sure that these policies are something that can help to strengthen our financial reputation going forward.

Ms. Doyle stated I guess what I would say is that among highly rated and recognized and these recognized as being well-managed financially, they often have some policies that are similar to this, they're all crafted a little bit differently depending on the entity, but there is...we do see consistently among highly-rated, financially well-managed cities something akin to these type of policies.

Alderman Lopez stated just two more questions, Mr. Chairman. The five percent (5%) where is takes two-thirds of the Board of Mayor and Aldermen...is it the two-thirds at any time before that 5% or do you have to get the 5% percent we can take money out of there.

Mr. Sherman replied no, it would be at any time.

Alderman Lopez stated maybe I'm the only one but can somebody maybe do some...maybe a sheet of what we're really talking about so we can see it, so I can see it. If you took the year 2000 and 2001 and Randy what you just said could you put that down if we had this into place...can we look at something and say it would have been better.

Mr. Sherman replied yes, I can go back and maybe I'll go back five years and run the numbers and show you how much would be in there...

Alderman Lopez stated unless I'm the only one...

Alderman Thibault stated that sounds reasonable.

Alderman Lopez stated so that we can see that if we did that in the year 2000 what we were looking at.

Mr. Sherman stated again if you look at the current year we have here actually you wouldn't have put anything in this year because again the fund balances are only \$817,000 and 1% is \$855,000, so if we were going for it in 2001 no additional funds would have gone into it.

Alderman Lopez stated I'm just trying to understand it that's all.

Mr. Sherman stated we can certainly go back and do a number of years so you can see how it would have tracked if we had been doing it.

Chairman Shea stated I think what Randy would also say is that when your tax rate is two or three percent it probably makes a lot of sense to try to not put as much towards the general tax budget and put something away for the stabilization so that when you have the lean years like we have where you would not be able to reconcile the figures, as they would say, then you would probably be able to use this or a certain percentage.

Alderman Smith asked how does this affect the Rainy Day fund couldn't we go into the Rainy Day fund and cap the Rainy Day fund at a certain amount and anything over that certain amount would go into this fund wouldn't that be simpler?

Mr. Sherman replied the Rainy Day fund does have a cap on it, that's based at 5% of your expenditure levels because that's there in case you have a revenue shortfall, at least you then have the cash to pay for the expenditures. We're actually fairly close to that cap right now. Depending on assuming we can have a couple of positive years in a row here we might actually hit that in the next couple of years, but that is actually based on your current year's operations, not your fund balance. So, once the dollars go into that then you look at what's left in your undesignated fund balance and then that is what you tap to put into this account. So, the Rainy Day fund still gets funded first, then you go to the undesignated and put money into the Tax Rate Stabilization.

Chairman Shea stated as you stated the Rainy Day fund is predicated upon the budget, so when the budget does become raise or for a better word is "higher" you have to add more to the Rainy Day fund.

Mr. Sherman stated you're always chasing a higher number but as it goes up incrementally...we started in '93 with zero, so over the last ten years we've been able to almost get it up to that 5%.

Chairman Shea asked are there any other questions?

Alderman Lopez replied yes one for the financial advisor...in looking at the Rainy Day fund as we're talking about I'm sure you've looked at that or you know about it...if we were to implement these particular policies and cap the Rainy Day fund as it is today, if these policies were implemented would that have any financial bearing on the overall finances of the City?

Ms. Doyle replied the Rainy Day fund and these types of funds are two different ways reserves. I think that the Rainy Day fund based on your expenditure side is difficult to...I can't tell you that you would have an immediate negative financial impact by capping it, but I would say that capping it in a way goes a little bit against the concept of the Rainy Day fund because you know overall your expenses are going to increase over time so it does make sense to have that Rainy Day fund to be based on a percentage based on your current expenditures.

Mr. Clougherty asked do you want us to go through the next one.

Chairman Shea replied yes go through the next one and explain that.

Mr. Clougherty stated the Special Revenue Reserve Account I think is pretty straightforward. What that says is that if we enter into a position where we are lucky to see a windfall from the sale of land or for some other reason that we put that money into a special fund to be used for one-time capital or economic development types of activities. Because what happens is if you take \$8 million that you get in a windfall this year and you put it into your budget it looks great this year, but then next year you've got that \$8 million plus hole to fill and that's where your tax rate goes crazy. So, what this does is it says you take that \$8 million and put it aside and put it into something that's not going to affect you. You pay cash for cars, you pay cash for capital items and then you see this stabilization again of the tax rate, so you're not continually putting things in the tax rate that is going to be disruptive. And, the way we would treat it is almost like a trust fund where we would separate it out into principle and interest and allow at first the interest to be used and also the principle could grow over time and you'd have a capital reserve of sorts.

Alderman Smith stated in 3(b) it's only from development fees, economic development and proceeds from insurance...no other...

Mr. Sherman stated what we're looking for are those types of revenues that are really non-recurring so like this year you put money into the sale of a parking garage. Well, in future years, you wouldn't be able to put that into your budget. If you sold one those proceeds would go into this account. So, again, certain things happen and even though they may happen four out of ten years we're still saying that that is really a non-recurring thing, you really don't want to be budgeting on it, it's also the type of thing like using your fund balance to reduce your property taxes. You don't want this whipsaw effect where it's like well, we'll sell something, we won't sell something. So, it's those things...the sale of property, we're talking about sale of tax deeded property where there may be an income sharing type deal...as we're looking at things you might be talking land leases that you might have as a one-time deal...we used to get insurance checks for asbestos. We were getting asbestos checks sporadically for a number of years. Well, those are the types of things you obviously can't budget for...when those would come in they would go into this type of an account.

Mr. Clougherty stated by using it for capital that helps you too because you're debt service goes down because you're not borrowing and that's why it appeals to investors also.

Chairman Shea stated you can now review 3 (c).

Mr. Sherman stated with the Risk Retention Reserve Account and I didn't highlight them, but if you go back to the first page of the handout that we had...the number that's highlighted there the \$3.7 million...if you go up a little higher in that same section there's a \$624,000, a \$1.610 million and a \$1.452 million...those are our three reserves for our insurances. The \$624,000 is for Worker's Comp, the \$1.6 million is Health insurance and then the \$1.4 million is CGL. What this account, in essence, does is every year you budget and let's just stick with Health insurance, for example...you budget amounts for Health insurance. Well, the City is self-insured on all of these so as we pay our self-insurance claims you're either going to be under budget or you're going to be over budget. Now, what we're saying is if you are under budget for health claims anything in that difference between what you budget and what you spend would go into this account. If you're over budget we take it out of this account. Now, what we've got is in here that's really the process that we've been following for years. What this does is it codifies that process and it puts a cap on each one of these accounts. It puts a 90-day spending cap on Health insurance and then each year Harry goes out and does actuarial studies on Workers Comp and CGL, so when he gets those numbers and what they thing our reserves should be that would be the caps on those. So, what that does is it allows us to keep all of our insurance



funds fully-funded. If one gets fully-funded the excess gets swept out and would go to one of the other unfunded or under funded accounts until they're all fully-funded and then at that point it would come back to the undesignated fund balance and then the aldermen could use it for any purpose they saw fit.

Alderman Guinta asked how long has the Rainy Day fund been in existence?

Mr. Sherman replied we put it in the year that we changed the fiscal year, so it's been since '93.

Alderman Guinta asked have we ever used it?

Mr. Sherman replied we've had deficits once in that amount of time that we actually ended up tapping it so we didn't have a deficit. So, the way that one is designed is if we have an operating deficit we transfer money out of that to prevent us from having that deficit. But, it has to be because of a revenue shortfall.

Alderman Guinta asked do you recall how much money that was?

Mr. Sherman replied I don't that was a number of years back.

Alderman Smith stated in reference to the reserve account for health claims asked if the Highway Department overexpended and they only have so much money in the budget for health claims then would it go to Harry's department or would you have this special fund set up to balance out the Highway Department.

Mr. Sherman replied what Harry does is every year he tries to budget an amount as a reserve within his annual operating budget. If he doesn't have enough there at the end of the year it would come out of this account.

Alderman Thibault moved to recommend that the Reserve Account Ordinances ought to pass. Alderman Guinta duly seconded the motion

Alderman Lopez asked before it goes to the full Board could you give us samples at least so I will understand a little bit better as to what is going on here.

Mr. Sherman replied I'll forward those along to you.

Chairman Shea asked are there any other questions needing to be clarified by the Finance Office.

Chairman Shea called for a vote on the motion. There being none opposed, the motion carried.

Chairman Shea addressed item 4 of the agenda:

4. Communication from Chief Driscoll requesting review of increased revenue recommendations for the Police Department.

Alderman Thibault asked, Chief, in looking at this cost sheet here is this because your costs are going up to that extent is that what you're saying here.

Chief Driscoll replied as always we try to review our revenues during the budget process and then specifically this year we were asked to take a real hard look at different areas that the revenues might be less than surrounding communities and areas that could be or should be increased. In doing that, we found the following five areas and I must point out to you that there is an error on the document in the further column over where it says "Increased Revenues" and look down to the third line down where it says "Booting Fines" the number says \$5,927 that is not an accurate number it should be \$2,980, so that would decrease the total...as we looked at revenues in the different areas we don't have a lot of revenues over at the Police Department other than parking fines and some of the areas listed here. As we scrutinized them we felt that these four areas certainly could be increased and I felt that they were very reasonable to present to the Board and would be accepted by the community as reasonable increases.

Alderman Thibault stated you say that that is comparable to the surrounding towns and cities.

Chief Driscoll replied yes with the exception of the Resident Parking Permit fee...presently it's zero, the City facilitates that out of the Parking Violations Bureau, most communities don't have Resident Parking...we're one of the few in New Hampshire, so I don't have a good handle on that...but, it's presently zero now and we issue them a sticker and keep track of them. I don't think a \$20 fee for Resident Parking in the community which they presently do for nothing now is unreasonable at all. I think it's very reasonable.

Alderman Lopez stated going back to the Resident Parking...right now, nobody is paying a fee they are just given a permit.

Chief Driscoll replied that is correct there is no fee at this time.

Alderman Lopez stated define Residential Parking to me, please.

Chief Driscoll stated within certain areas...in this area (City Hall) over Laurel Street area...it's a very defined area...people can come to the Traffic Violations Bureau provide proof of residency in those areas and receive a Resident Parking Permit...they can park in those areas as long as they display their permit we don't bother them.

Alderman Lopez stated those Residential Parking Permits were put in by the Alderman.

Chief Driscoll replied yes they were, absolutely.

Alderman Lopez stated because of...

Chief Driscoll stated because they lived in the inner-city, because there was competing people...people would come here during the day and park, they're restricted ability to find a place to park and the fact that they lived in front of those residences as well as the impact of the Verizon Arena that it brought so many people in over there that they wouldn't have an opportunity to park there...the City put meters where there weren't meters before, it was felt that it was reasonable because they were taxpayers and allow them to park there.

Alderman Lopez stated a lot of these places are low-income areas, I don't know which wards have Residential Parking, is that all over the City or no?

Chief Driscoll replied no just a couple in the Downtown area.

Alderman Lopez asked is that because of the civic center...if I recall we did the Residential Parking?

Chief Driscoll replied yes that was the main reason.

Alderman Lopez stated and now we're going to charge them.

Chief Driscoll stated that would be my recommendation.

Chairman Shea stated that is kind of discriminatory though in the sense that if I park in front of my house or you park in front of your house we really don't have to have one of these do we?

Chief Driscoll stated I didn't follow your question, Sir.

Chairman Shea stated what I'm saying is to me it's somewhat discriminatory if a person living at 80 Laurel Street would have to pay \$20 to park in front of their own house. I don't have to pay that, I live on Vinton Street and I don't have to pay...

Chief Driscoll stated that is true but these are all time zones and meters and for people to be exempt from the meters and time zones they're issued a permit...

Chairman Shea asked which came first the people living there or the fact that the civic center came in and kind of brought in this kind of problem, to me it seems discriminatory in that sense because unless we charge everyone all over the City to park in front of their residences we certainly shouldn't single out people because of circumstances beyond their control that they have...

Chief Driscoll stated certainly I respect your view, I guess most locations in the City can't park in a time zone and be exempted from a time zone. In certain locations where there Residential Parking Permit is you certainly can do that, so I guess I see a little bit of a difference there.

Chairman Shea stated people at the high rises they have parking places don't they.

Chief Driscoll replied I believe so, absolutely.

Chairman Shea stated so they don't have to pay a permit to park there do they?

Chief Driscoll replied no, I think that's all MHRA property where they park.

Alderman Lopez stated the towing that we talked about that's not on here.

Chief Driscoll replied no it's not.

Alderman Lopez asked is that a different...

Chief Driscoll stated that's being looked at and will be brought back to you in a different committee.

Alderman Lopez in reference to Cruiser Use Hourly asked how does that work?

Chief Driscoll replied under the right set of circumstances if somebody calls up and has a particular need for a police officer, if it's a night or something, if there's a pole down, an accident and Public Service needs to hire a police officer and needs the advantage of having a police car there to protect the officers and the folks working we will send one, but we feel that at \$5/hour is a minimal fee to charge that and many communities charge more than \$15.

Alderman Thibault stated in reference to what Alderman Shea was just talking about, I'm wondering if there isn't a problem there. Let's say, for instance, the people on Elm Street where's there's meters now and live there if they park in front of their house where there's a meter they will get tagged.

Chief Driscoll replied not if they have a Resident Parking Permit.

Alderman Thibault asked do they have Resident Parking there?

Chief Driscoll replied yes.

Alderman Thibault stated I thought it was just concentrated area you were talking about.

Chief Driscoll stated no...perhaps I should have brought a map, I didn't. But, there are a number of areas within the Downtown area that are covered by that.

Chairman Shea asked for the committee's recommendation.

Alderman Guinta asked what motion would you be looking for.

Chairman Shea replied to either accept it in totality or accept it partially.

Alderman Guinta moved to approve the increased revenues at the Police Department by deleting the Residential Parking Permit fees as requested allowing it remain at zero. Alderman Lopez duly seconded the motion. There being none opposed, the motion carried.

Alderman Lopez moved to accept the increased revenues at the Police Department as amended. Alderman Smith duly seconded the motion. There being none opposed, the motion carried.

Chairman Shea addressed item 5 of the agenda:

5. Communication from Kevin Buckley, Internal Audit Manager, submitting an audit status update.

Alderman Smith asked could we hear from Kevin first on the status.

Mr. Buckley stated there are a few things on here...the first is the Highway Department's year-end consumable inventory audit...the one I do every year that my department's been doing for several years. Every year there has been less and less observations, this year is just one minor observation...the first few years we were concentrating on getting the actual physical inventory to match what was in the Module and this year everything matched up and I found no problems there and this final observation has to do with getting the Module to reconcile to the general ledger. As an addendum to the report itself I've recently gotten a reply from the BMD (Building Maintenance Division) that they are now doing their reconciliation on a quarterly basis and so that is also being taken care of. The next thing on there actually has to do more with the tabled item 10, so I don't know if you want to wait until then or not to discuss it.

Alderman Smith replied I think we would like to have it discussed now if you would, Mr. Chairman.

Chairman Shea stated I guess you can discuss it now and you can say whatever you have to say now.

Mr. Buckley stated you'll notice I attached a letter from Central Parking Corporation and if you remember we had problems with their Worker's Comp rate when I did the audit I felt it was way too high and they were charging in excess of the actual cost and they've agreed that it's too high and they've come up with a methodology to determine a rate. I've looked over their methodology and their rate which was 12% and they have now dropped it to 7.91% and if the Board agrees to this...the Committee and the Board agree to this, I guess they'll go back to three years recalculate the rates for the three years back that you had requested and I believe what they are getting at is they will give us a refund for the three years the money that they've overcharged. And, going forward this is now how they will calculate the rate.

Alderman Guinta asked is the rate going to be recalculated each year?

Mr. Buckley replied yes. They will recalculate it every year because every year all of the different...there are three parts to the rate and every year those change depending on their experience with their paid claims and a few other things, so every year at a certain time you have to recalculate it and they'll be doing that.

Alderman Guinta stated the last time we met and we identified this as a concern did you have a recommendation as to what the percentage should be, I just don't recall?

Mr. Buckley replied I think when I calculated it it was at 6.9% or something like that, it was lower.

Alderman Guinta asked so why do we have 7.91% if you're recommendation was 6.9%?

Mr. Buckley replied I was calculating on a .35 MOD.

Alderman Guinta stated I know what the MOD is but you were using .35% and...

Mr. Buckley stated from the insurance documents I got is their actual MOD...but, from the insurance people I've talked to since then and talking to their insurance people and separate ones away from them, so that I could get an opinion that wasn't influenced by anything...no one is going to charge a .38 MOD...it's just unreasonably low and so they usually double it or even more, they usually don't like to charge a MOD less than .75 and even at that sometimes they don't.

Alderman Guinta stated wait a minute, their MOD is .38...

Mr. Buckley stated if you look at their actual experience the MOD is .38, but insurance companies will not accept that and will not...

Alderman Guinta interjected because it's too good.

Mr. Buckley replied exactly. They're feeling is that it's an aberration and okay we'll catch up to them. And so insurance companies will not use the .38...there's a lower limit that they will accept as a MOD and depending on the companies I've talked to some have said .75, some have said .85.

Alderman Guinta stated so we're not realizing any benefit for utilizing a company that has a low MOD rate.

Mr. Buckley stated anything below that .75 or .85 no.

Alderman Guinta stated let me ask you a question. If we were using a different company that had a higher MOD than .38 but lower than say .75...say we were using a company that was .5 or .6 for a MOD what would an insurance carrier do at that point, would they use the .5 or would they double that number?

Mr. Buckley replied they would use the same figure that they would use for this company because there is only far down they will feel comfortable with.

Alderman Guinta stated so to the insurance carrier .38 and .5 are essentially the same.

Mr. Buckley replied yes.

Alderman Lopez moved to accept the audit status update and approve a 7.91% Workmen's Compensation Rate with Central Parking Corporation and be reimbursed for the past three years, recompute the charges using the appropriate rates and MODS. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Chairman Shea addressed item 6 of the agenda:

6. Monthly financial statements for the month ended August 31, 2002.

On motion of Alderman Lopez, duly seconded by Alderman Guinta, it was voted to receive and file the monthly financial statements.

Chairman Shea addressed item 7 of the agenda:

7. Quarterly financial statements for the period ended June 30, 2002 (FY2002).

Alderman Guinta asked for a brief run through.

Mr. Sherman apologized for the fact that you really didn't get these much before the meeting. I guess the one that I would probably want to focus on here is the Quarterly Financial Reports...go to pages 1 and 2 (Balance Sheet)...this is similar to the page that we handed out when we were talking about number 3 and look at the items in the fund balance column. Now, if you recall the numbers we were looking at in item 3 above you're Undesignated Fund Balance is \$3.7 million...remember that from the earlier discussion...as of right now the City's General



Fund Undesignated Fund Balance is up to \$4.687 million...so we did add to that number by almost \$900,000...despite everything that the City went through last year the shortfall of revenues, the Welfare issue where we had to come up with over \$800,000 to cover the Welfare costs, we still ended up with a surplus for last year. So, I think the City did real well. School...I don't have any numbers on at this point. We won't get their numbers for another month or so, so they're not in these numbers.

Alderman Thibault asked what is the feeling there...the School...

Mr. Sherman replied the last I heard they will be within their appropriation as they should be and as the School Board was here in the Spring and if you recall they were looking for the Board to appropriate some of their surplus revenues...my understanding is that those surplus revenues do exist and they should actually be turning a surplus in the \$500/600,000 range. So, again, that will help offset their deficit and as you recall as part of the court settlement that we had with School they were supposed to be working that deficit off of 2001, 2002 and 2003 and then in 2004 you'll actually have to raise the rest to fund the rest of that deficit. So, that's good news from the School Department as well.

Alderman Smith asked how is the communication between the Finance Department and Mr. Chapman, the School Department and your office, Kevin? Is it very friendly, are you communicating, are you getting reports on time?

Mr. Clougherty replied our communication with Mr. Chapman has always been cordial. The problems have always been with the interpretation of rules, so it hasn't been anything...but, this year we think that with the court ruling we're all operating from the same set of rules.

Chairman Shea asked, Randy, when would you expect reports from the Schools?

Mr. Sherman replied my hope is that we would start seeing their numbers if not by the end of this month, by early October. My understanding is that their auditor will be in about the same time ours is which ours is coming in September 30<sup>th</sup>, so at that point they should at least have auditable numbers and they're subject to change, but typically we get their audit in November, so we can roll their numbers into our numbers so we can finish our audit.

Mr. Clougherty stated remember the standard is you should as a government entity be able to close your books within ninety (90) days of the end of the fiscal year. The City's closed in sixty (60) and we're giving you these reports but understanding that there are still some adjustments that have to go on because of

School and all that so what we will do is turn these over to the auditors with the goal of getting a fully audited financial statement to the Board on or about the 1<sup>st</sup> of the year and that's our schedule right now and hopefully we can stick to it and move from there. A lot of times we give you these quarterly reports and highlight some things about them...just remember there are three pieces that you always get. There's a quarterly financial that Randy was just talking to and that gives you the history of the expenses and revenue by each department going back in time and gives you information on the City's General Fund. The other report is the Quarterly Treasurer's Report...that tells you where your money is, what banks it's in, what interest rates it's earning, what your bonds are and all of that and then the third report is your CIP Projects and what the balances are and where they were at the end of the year, so if you're looking at these and if there's anything we can do to improve them or if you want us to speak to them we'd be happy to do that but the more people are looking at them and criticizing them...the sooner we find mistakes, that is why we put them out. If there is something wrong we want to know about it because then we can fix it as soon as it's made available.

Chairman Shea stated I'm sure all of the members of the Committee and I speak for them appreciate your hard work and obviously keeping your house in order, it's deeply appreciated.

Alderman Smith moved to accept the three financial reports (Quarterly, CIP and Treasurer's). Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

Chairman Shea addressed item 8 of the agenda:

8. Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:
  - a) department legend;
  - b) open invoice report over 90 days by fund;
  - c) open invoice report (all invoices for interdepartmental billings only);
  - d) open invoice report (all invoices due from the School Dept. only); and
  - e) listing of invoices submitted to City Solicitor for legal determination.

Alderman Lopez moved to accept the reports as submitted. Alderman Guinta duly seconded the motion. There being none opposed, the motion carried.

## **TABLED ITEMS**

9. Communication from Sharon Wickens, Financial Analyst II, submitting a Collections Policy for review.  
(Tabled 05/21/02)

On motion of Alderman Lopez, duly seconded by Alderman Guinta, it was voted to remove item 9 from the table for discussion.

Alderman Lopez stated before I get to questions...this has been going on for a long time and maybe, Sharon, you can bring us up-to-date and what we're going to do to make sure we have Water Works in there now and the only thing we're dealing with is the Airport and whether we're going to exempt them.

Mr. Clougherty stated let me give you a little background here. We had submitted to the Board a Revenue Policy for the City quite some time ago and there were some question as to how enterprises would be treated under the Revenue Policy. We agreed to get input from all the different enterprises and to take that into consideration and see if we wanted to make any changes to the final draft before it was adopted by this Committee and referred to the Board for final adoption. So, we got input from a number of departments and we went back and made some changes which is this final draft language. The changes that we made are primarily for...because again this is an ordinance that's in front of you and we want to make sure that the ordinance is accurate. Water, for example...Water has some problems under Special State Statutes that were adopted for them years ago, they can shut off the water, they don't need a collection agency. They have an extraordinary remedy. EPD can put a lien on your property, the Tax Collector can put a lien on your property. So, in those cases for those purposes what we've said is certainly we're not going to use the collection agency and they would be somewhat exempt from that for those purposes only and we've gone on to list on this page all these other items. If you take a look at Item G what our feeling is that the Ordinance should say that this is the policy, but G says any department head or Finance Officer can come before you, the Committee on Accounts in the future and ask to be exempt for certain accounts or classes of accounts from the collection of unpaid revenues. Now, what our recommendation is from the Finance Department is that you adopt these changes along with the balance of the Revenue Policy and you forward that onto the Board for adoption. Once that's adopted it's our understanding that Kevin would come back with some of the things that he thinks should be exempted from the policy and that those would be considered at that time by the Board for exemption. But, we're not recommending that any departments have carte blanche exemption from policies on collections going forward.

Chairman Shea stated one of the considerations too that I think is we probably have intrinsic trust in Kevin Dillon but we don't know who may succeed Kevin Dillon, so that in there is where the problem lies because obviously with all of the different problems that exist in our society today you want to make sure that there isn't some sort of a provision built-in that protects the City in the present because of the confidence we have in the person in a position of authority, but in future years one doesn't know how that would...that is what I want the Board to consider when they consider this policy.

Mr. Clougherty stated we would agree with that, Alderman. We trust Tom Bowen but there has to be some checks and balances in terms of reporting requirements and disclosure and things like that and that is why we structured the policy the way we think it needs to be because again you have a fiduciary responsibility...not just for the General Fund but for all of these areas.

Chairman Shea stated, Mike, why don't you continue.

Alderman Lopez stated I thank Kevin for bringing the rest of the members up-to-date...let me also...which I did some research back for April 24, 2001 when this whole area of Revenue Policy was discussed and at that time it was voted upon by Aldermen Levasseur and Pinard that each department be addressed and each department head sign-off on it, I hope that was done with a Revenue Policy but it is interesting that in July we went through this process again and I'm not going to read everything here except the conversation between both Kevins in this case, but they were going to sit down and write up some language that would include a lot of what you were saying during that meeting. So, had that developed in reference to Kevin and maybe we should let Kevin speak so the Committee knows where he's coming from because I always felt being on Accounts before that we were looking to exempt him and for him to come back and telling you Kevin working out the language that you wanted so he provides you the necessary documentation. I talked with you today, Sharon, and I'd like to have Mr. Dillon speak because that's what he's here for.

Mr. Dillon stated I certainly agree with what the Finance Department is trying to accomplish. I think the thing that concerns me though and something that I think the Board should understand is that the Airport has its own collection policy that we have been following, was implemented quite some time ago when this issue first arose. The concern that I have in terms of just adopting a blanket City-wide Collection Policy, it doesn't take into account I think the unique operating environment at the Airport and while I can understand Kevin's logic about adopting it and then having me come down here asking for exemptions I think the problem that I have is that there is just about every provision of the Collection

Policy we would run into problems with. For example, the way airlines report and we collect passenger facility charges and landing fees. Typically, there is a considerable amount of lag time not because they don't want to pay us but because of the reporting and accounting that they need to go through in order to report that. So, for example, PFC's could be due in the month of May and we may not actually get a check from the airlines until the month of September. I would certainly hate to see because we're required under a Collection Policy that states that within thirty (30) days we're going to start dunning Southwest Airlines. I think there is also some unique operating arrangements with other tenants and other concessionaires how we've written lease agreements. In some cases, lease agreements conflict with this policy...item D for example (bankruptcy) is specifically discussed in our airline lease agreements. We cannot write-off a bankruptcy. It has to be allocated out to the other airlines, so there's a unique operating environment at the Airport that I think needs to be taken into consideration that can't fall under a blanket policy. I certainly agree with what Kevin is saying and what Alderman Shea said and I certainly appreciate the trust that you have in me at the Airport, but certainly the Airport needs to have a level of oversight, but I think that level of oversight is there today by virtue of the fact that we report everything that we're doing at the Airport to the Finance Department. It comes out in your 30, 60, 90 day listing. I'm not saying that the Airport should not be reporting that information. What we're talking about who will make the determination as to trigger a collection action on a particular tenant and I think that best stays (in this case) with the Airport. We know our business out at the Airport, we know who are tenants are and we know what our accounts are. But, certainly this Board...certainly, the Finance Department would always have access to the information as to what is the status of our accounts by virtue of the fact that we report that into the common accounting system.

Chairman Shea asked, Kevin, do you want to respond to any of the concerns that are expressed by Kevin Dillon.

Mr. Clougherty stated again I think in many respects Kevin and I are the same way. The Airport has grown to a point where it's probably more like the MTA than like the Highway Department and if you're going to be looking at the Charter in the future that's something you should be looking at is to give them some more authority. But, in the meantime, I think there are internal controls and that these reports are going to come to you and you are going to see those delinquent accounts. Once you adopt the policy if Kevin wants to come back before you and say I want to exempt the PFC's or all these other things then that probably makes some sense. But, to just say in the ordinance that the Airport is exempt from these or water is exempt from them I think is a mistake and I think what you have to take a look at is the devil is always in the details. Certainly, I agree with Kevin.

Going out and taking United Airlines or taking McDonald's to a collection agency probably doesn't make a lot of sense, but there are other smaller accounts, a lot of other activity that is not inconsequential that you may want to do. So, I think we need to be specific in these areas and to come up with a policy that allows for some specific responses so that you feel that you haven't just given a blank check to a department to deal with something.

Alderman Lopez asked can I follow-up with one question, please?

Chairman Shea replied in the affirmative.

Alderman Lopez stated I just want to point out...Kevin, you're saying the same thing. Everybody's saying the same thing and I recollect that on July 10<sup>th</sup> if we were to approve this and at the same time give the exemption to the Water Works and the Airport you said at that time that you would still get all of the reports you need from the Airport and Kevin said that he would provide all of the necessary documents, so we could approve this and at the same time give that exemption to the Airport and the Water Works as was stated for the Water Works.

Mr. Clougherty asked what do you mean by exemption, Alderman?

Alderman Lopez replied exemption that he has his own policy into place just like the Water Works has their own policy in place.

Mr. Clougherty stated the Water Works policy is set by State law and the Water Works policy applies to certain actions and activities in some areas they would still fall under the collection agency because not everything they do would be related to a water recovery. And, that's a fundamental difference just as EPD has their allowances for liens under State law, that is not something that the Board of Aldermen has, that is something that the State Legislature has adopted; that is a significant difference.

Alderman Thibault stated what I want to know first of all is unless I'm mistaken, Kevin, what happens at the Airport basically stays with the Airport. There's no monies coming to Manchester from the Airport. I can understand us having to keep track of everything, Kevin, I understand all of that but I mean the Airport runs on its own entity, if you will, and the monies that are generated at the Airport basically stay at the Airport. I understand the policy you're trying to do and I felt in July I felt that the exemption that we were looking for is to give Kevin the exemption that he needs in order to fulfill what he has to do such as what he just stated a minute ago where some airlines may be four months before you get the check, that doesn't mean their in arrears, it takes them that long to produce that

check and that's the kind of exemption I felt we were trying to give them in July unless I misunderstood something and then the first thing I said was that the Airport money stays at the Airport anyway, so how would that affect the rest of the policy that you're trying to put together.

Mr. Clougherty replied we've put together the policy with the eye that you have enterprises but I'm the Finance Officer for the Airport, the Water Works, the General Fund and all of the others and you're the Board of Directors for all of those. You can't say we're going to adopt policies for this part of the business, but we're going to let this part of the business operate with something that's maybe a little less oversight and that's what we're concerned with. We want to make sure that you're getting the reports certainly, but we also want to make sure that you haven't given away the right to deal with things going forward.

Alderman Thibault stated my other question was I would like to have some kind of a tracking system that if somebody comes into the City of Manchester and gets a license or whatever to operate a business and fails for some reason in six months or a year, comes back next year under a different name and stiffes the City again for another four or five thousand dollars; that is the kind of thing I would like to see in this kind of a policy that we can track the owners of these businesses as they come back and if in fact they stiff the City for \$4,000 two years ago then we get it back before they get another permit.

Mr. Clougherty stated the policy does address that and does include it and as soon as the technology is available that will happen.

Alderman Guinta stated I think the intent of this Board and probably this committee and previous committees was to target entities that...for lack of a better word "stiffed" the City and that was something that I was concerned about; that was something this committee was concerned about and I think that's what the concern was two years ago. And, I think several months ago in June when we discussed this there really wasn't a concern about the Airport...I'm looking at some of the conversations and it appears that Kevin Dillon is going to continue to send reports to the Finance Department and the Finance Department agreed saying as long as he does that there's no problem and we don't have an objection to an exemption for the Airport. So, I want to stay focused on what the initial intent was and I think if there's a problem with the Airport all of a sudden we have at any time the ability in the oversight to call Kevin in here, for example, and ask for specific figures or actually you can do the same. So, to me what exactly are we talking about...you had mentioned not McDonald's or not Southwest but there are other ancillary or smaller...

Mr. Clougherty stated you may have some minor leases or you may have somebody else that dealt with providing revenue on a smaller basis to the department.

Alderman Guinta asked has that been a problem at the Airport?

Mr. Clougherty replied no and I think...just to clarify our position, we have really two things. We don't want to put the exemption in the ordinance...this is an ordinance. If you adopt the Revenue Policy and the Board adopts it the ordinance changes. We don't want to put the exemption to the departments in the ordinance because you know how hard it is to change an ordinance. We don't mind once the ordinance is adopted under G, that is why we put G in...the department can come before this committee and deal with some of the specific issues and items that I think Kevin is talking about.

Alderman Guinta asked under which letter does this identify it for the entire City. This is supposed to be for...

Mr. Clougherty stated this is the ordinance that applies to the entire City that's already in place.

Alderman Guinta stated so we would have to create an exemption.

Mr. Clougherty stated right. So, what we're saying is under G the Board gives to the Aldermanic Committee the ability to make exemptions as they see fit. But, it's not an exemption in the ordinance that exempts you from the entire revenue policy because there's maybe some things in the Revenue Policy down the road that Water or Airport might want to do with respect to interest rates and things like that.

Alderman Guinta stated I can certainly understand that point, I think the problem for me, at least, is that the initial goal was to identify companies that come to Manchester, for example, charge an exorbitant amount of money for police, fire and then leave or people who are running up fines that don't pay them and the Manchester Airport is a pretty good chunk of business for us and I think that there seems to be an appropriate level of oversight at this point. So, and again, I agree with you that it's not easy to change an ordinance but I've got to tell you if all of a sudden there's something going on at the Airport, I think this committee would act on it fairly quickly and I think the Board would agree. If all of a sudden we're owed a million dollars because some of these smaller entities go bankrupt and opt not to pay their leases, for example, I think number one we would see that coming way in advance, you'd have to have a huge economic downturn in order for



something like that to occur which I think we would probably be able to anticipate and I'm sure that Kevin would be able to anticipate. I don't want to place more burden and more restrictions on an entity like the Airport because it has been managed in such a way that's exceeded everybody's expectations and I just wonder if we're doing it already and in previous discussions the Finance Department agreed to exempt the Airport and Kevin Dillon has agreed to continue providing the reports. For example, if that doesn't happen then we can come back here and talk about it again. To me, that seems the most logical approach.

Alderman Guinta asked are we moving on this tonight or is this going back on the table?

Chairman Shea replied I guess whatever the committee members wish to do.

Alderman Lopez stated we can either put it back on the table. I think if this is the final draft, I think the only major issue is whether we put Water Works and the Airport as an exemption into the ordinance. I agree with Kevin an ordinance is very hard to change and maybe that's what an ordinance does. It's very, very hard to change and it should be very hard to change because we change every year or every two years up here and different people come in and it would be so easy to make a policy and say that the Water Works and the Airport are exempt...a new Board comes in and it's very easy to get three or four Aldermen to change a policy. So, in this particular situation I think between the Water Works and the Airport should be included in the ordinance to make it hard to change so that if we're having problems we can call them both in and change the ordinance but the history of the situation should always be there.

Chairman Shea asked your recommendation, Kevin, is?

Mr. Clougherty replied this is our recommendation. We really feel that this is the way it should be and that it provides flexibility for this committee to deal with the admittedly unique requirements that the Airport has and we think that they are better addressed at the committee level than at the Board level in some respects.

Alderman Smith stated I wasn't going to say anything but, Kevin, I thought that Water Works comes under the PUC and I don't think we do anything except set the rates for their employees. They have an independent committee, the committee acts on their own and I was always under the assumption that we couldn't touch the Water Works.

Mr. Clougherty stated no they are a City department. They have some unique requirements if they set rates outside the City, they have some unique requirements that they are required by the PUC for reporting purposes as a public utility, but they are a City department and we issue their debt, we're responsible for all of their bonds and for their reporting and their accounting and issuing their checks and everything else.

Alderman Smith asked doesn't the Water Works have their own finance department, don't they take care of their own needs such as collections and so forth.

Mr. Clougherty stated they have the same financial arrangement as the Highway Department and EPD and everybody else, they all have their own finance people that are there and all feeds into one central system that we oversee.

Alderman Smith stated I think the Water Works has a tremendous collection agency...they can turn off the water and I'm sure the only way they're stuck is if somebody goes through bankruptcy, so I think they have a direct control.

Mr. Clougherty stated that is what's reflected in this document.

Alderman Lopez moved to amend "G" of the Final Draft at the end indicating *that the Water Works and Airport has been granted special exception to this ordinance*. Alderman Guinta duly seconded the motion. The motion carried with Chairman Shea duly recorded in opposition.

Alderman Lopez moved to accept the remainder of the Final Draft. Alderman Thibault duly seconded the motion. There being none opposed, the motion carried.

10. Communication from Kevin Buckley, Internal Audit Manager, submitting the Internal Audit Report relative to the Traffic Department (Canal Street and Victory Garages).  
(Tabled 06/24/02 pending reports from City staff.)

This item remained tabled.

There being no further business to come before the Committee, on motion of Alderman Thibault, duly seconded by Alderman Guinta, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee